

Market survey

Commercial | Office letting



2021/Q1-2
Hamburg



Grossmann & Berger



Key Facts Office letting

	225,000 m²	+36.4% year-on-year change
	31.00 €/m²	+1.6% year-on-year change
	17.90 €/m²	+1.7% year-on-year change
	3.8%	+0.6 pp year-on-year change
	13.95m m²	+0.6% year-on-year change

pp = percentage point

 Take-up of space  Prime rent mth (net)  Average rent mth (net)  Vacancy rate  Office stock

“At present almost every company is thinking about how labour will be deployed in future and whether new workplace ideas can actually be implemented in their current premises. We therefore expect that in the medium term this will mean more firms moving to new offices.”

Andreas Rehberg | Managing director

Take-up of space

Greater activity on the office market

There is greater activity on the market, but so far this has not translated into higher take-up of office space. After a strong start to the year, take-up of office space in Hamburg was relatively poor in the second quarter, amounting to only 95,000 m². In the 1st half year a total of 225,000 m² of office space was taken up. This represents year on year growth of around 36%, a clear indication that after the slump there is a general trend towards a post-coronavirus recovery. Owner-occupiers' share of the market was 4%, or 9,000 m², and thus somewhat higher than a year ago.

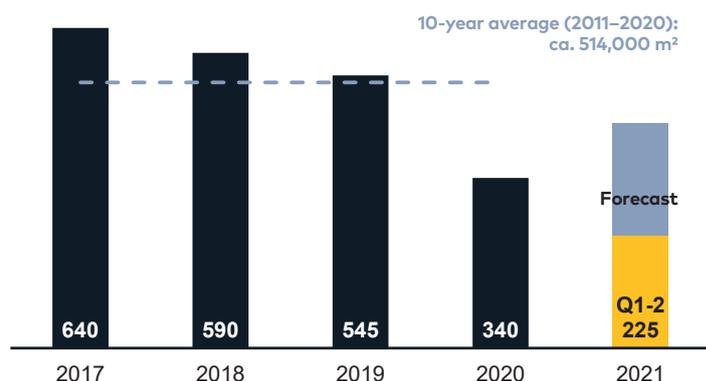
Around a third of total take-up in the first half year consisted of agreements for office suites offering more than 5,000 m² of space. Year on year take-up of these large suites trebled to a total of 74,200 m². Three of the seven agreements for large premises were signed in the 2nd quarter. Seeking space for expansion, insurance company Signal Iduna signed the biggest agreement for new offices, choosing some 13,000 m² off-plan in "Kap 5" (Kapstadtring 5) in City North.

Before construction started in 2019 the insurance company had decided to take some 10,000 m² in the development planned by HANSAINVEST, part of the Signal Iduna Group. The building is due to be completed in 2022. Employees, who have moved into temporary quarters in the Vattenfall House, will then be able to return to their old address. Other firms taking large office suites in the second quarter included e.kundenservice Netz, a service company belonging to the E.ON Group, which is renting some 8,700 m² in a development at Normannenweg 7-11 (City South) and Hamburg Süd, which has opted for about 7,000 m² at Rödingsmarkt 16 (City).

The shipping line Hamburg Süd, a Maersk subsidiary company, plans to move out of their old offices on Willy-Brandt-Strasse

Take-up of space

2017–2021/Q1-2 | in 000s m² | incl. owner-occupiers



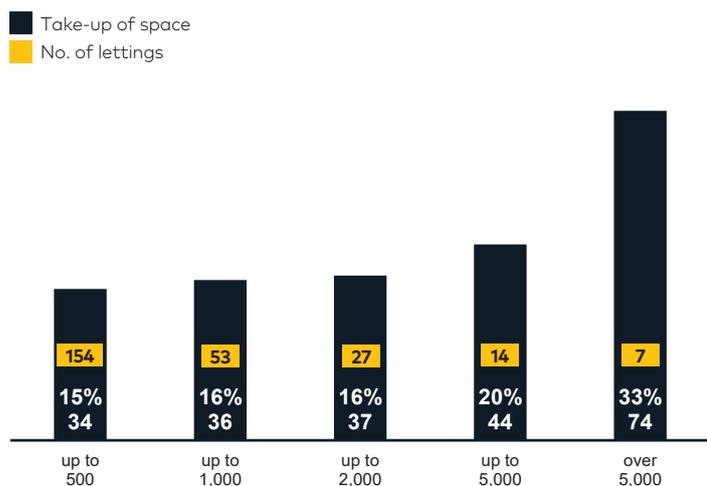
Selected top contracts
2021/Q1-2

- 1. Free and Hanseatic City of Hamburg | City**
"Michaelis Quartier" | Ludwig-Erhard-Strasse 11-17 | ca. 17,600 m²
- 2. Signal Iduna (Extension) | City North**
"Kap 5" | Kapstadtring 5 | ca. 13,000 m²
- 3. Wintershall Dea | HafenCity**
"denk.mal" | Am Lohsepark 67-69 | ca. 11,400 m²
- 4. Deutsche Bank | City North**
"Oval Office" | Überseering 10 | ca. 9,600 m²
- 5. e.kundenservice Netz (E.ON-Group) | City South**
Normannenweg 7-11 | ca. 8,700 m²



Take-up of space

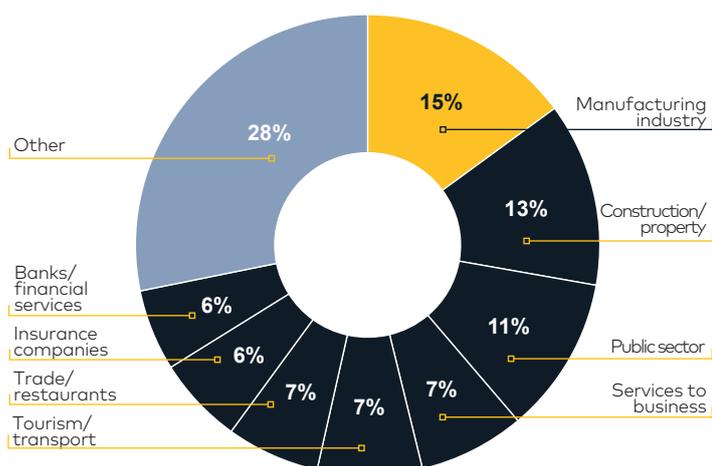
2021/Q1-2 | in 000s m² | by size and no. of lettings



Source: Grossmann & Berger GmbH

Take-up of space

2021/Q1-2 | by industry



Source: Grossmann & Berger GmbH

by the end of the year. However, the move to the building at Rödingsmarkt is only an interim solution. In the medium term Maersk plans to concentrate its activities in Hamburg in one single location. In total, some 255 agreements were signed in the first half year, exactly as many as in the same period a year ago.

More take-up was recorded in City sub-market than elsewhere, and the total of 62,800 m² translated into 28% of the market. The two biggest contracts in this sub-market related to large amounts of office space in the "Michaelis Quartier", leased by the municipal government in the 1st quarter, and the premises at Rödingsmarkt taken by Hamburg Süd shipping line. In addition to these contracts, twelve leases for more than 1,000 m² of office space were noted, of which only three were signed in the 2nd quarter. In terms of take-up, City South sub-market ranked second with about 12% of the market (26,100 m²). This position was largely due to the new lease signed by E.ON Group's e.kundenservice Netz at Normannenweg and the first-quarter lease signed by Factory Works in "Hammerbrooklyn".

HafenCity and City North tied in third place with 10% of total take-up each (about 22,700 m²). A major factor in the Hafencity result was space leased in "denk.mal" in the "Am Lohsepark" district (Wintershall Dea) whereas in City North this role fell to the additional space taken by Signal Iduna in "Kap5". Leases for large amounts of space also influenced the relative weighting of various sectors of the economy in the first half year. Manufacturing was predominant with 15% of take-up (about 33,500 m²). In addition to Wintershall Dea and the E.ON Group, major players included Airbus. The aircraft maker will be the tenant in the projected "Airbus Visitor Centre Finkenwerder". It has been estimated that 4,500 m² of office space will be available. The second-highest amount of office space was taken by the construction/real estate sector (13%, about 29,000 m²) and the public sector (11%, about 24,800 m²) followed in third place.

Rents

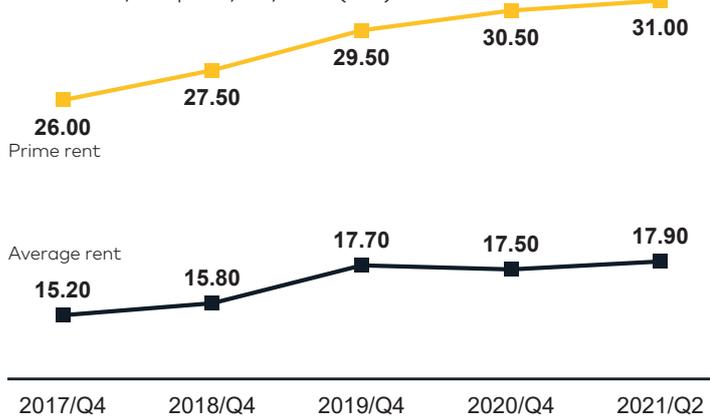
Stablizing at a high level

Rents in Hamburg are unchanged against the prior quarter. Compared with the same quarter a year ago the average rent rose by 1.7% to €17.90/m²/month and the premium rent inched up by 1.6% to €31.00/m²/month.

In the second half of the year experts predict that on the whole rents will stabilize at their current high level. Changes in average rental rates might, however, be impacted when "reasonably-priced sub-let space" comes onto the market. The volume of sub-let space almost doubled from 27,500 m² a year ago to some 53,800 m² at the close of the first half of 2021.

Prime and average rent

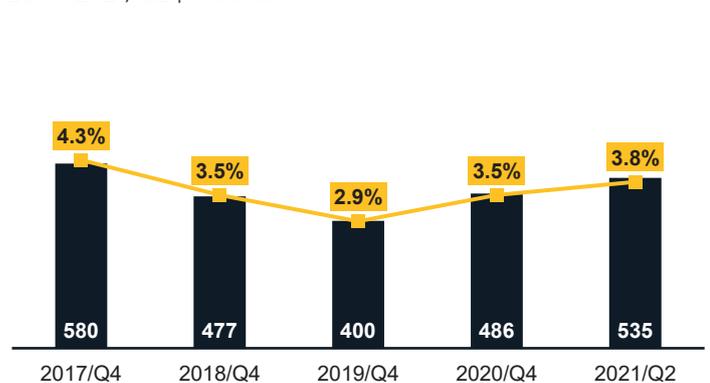
2017–2021/Q2 | in €/m²/mth (net)



Source: Grossmann & Berger GmbH

Vacant space | Vacancy rate

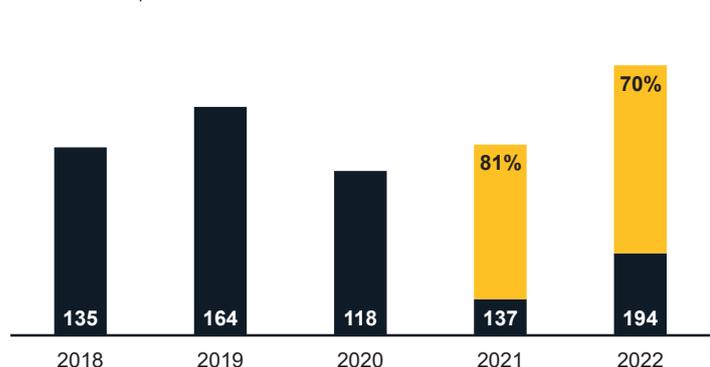
2017–2021/Q2 | in 000s m²



Source: Grossmann & Berger GmbH

Completions | Pre-let rate

2018–2022 | in 000s m²



Source: Grossmann & Berger GmbH

Available and vacant space

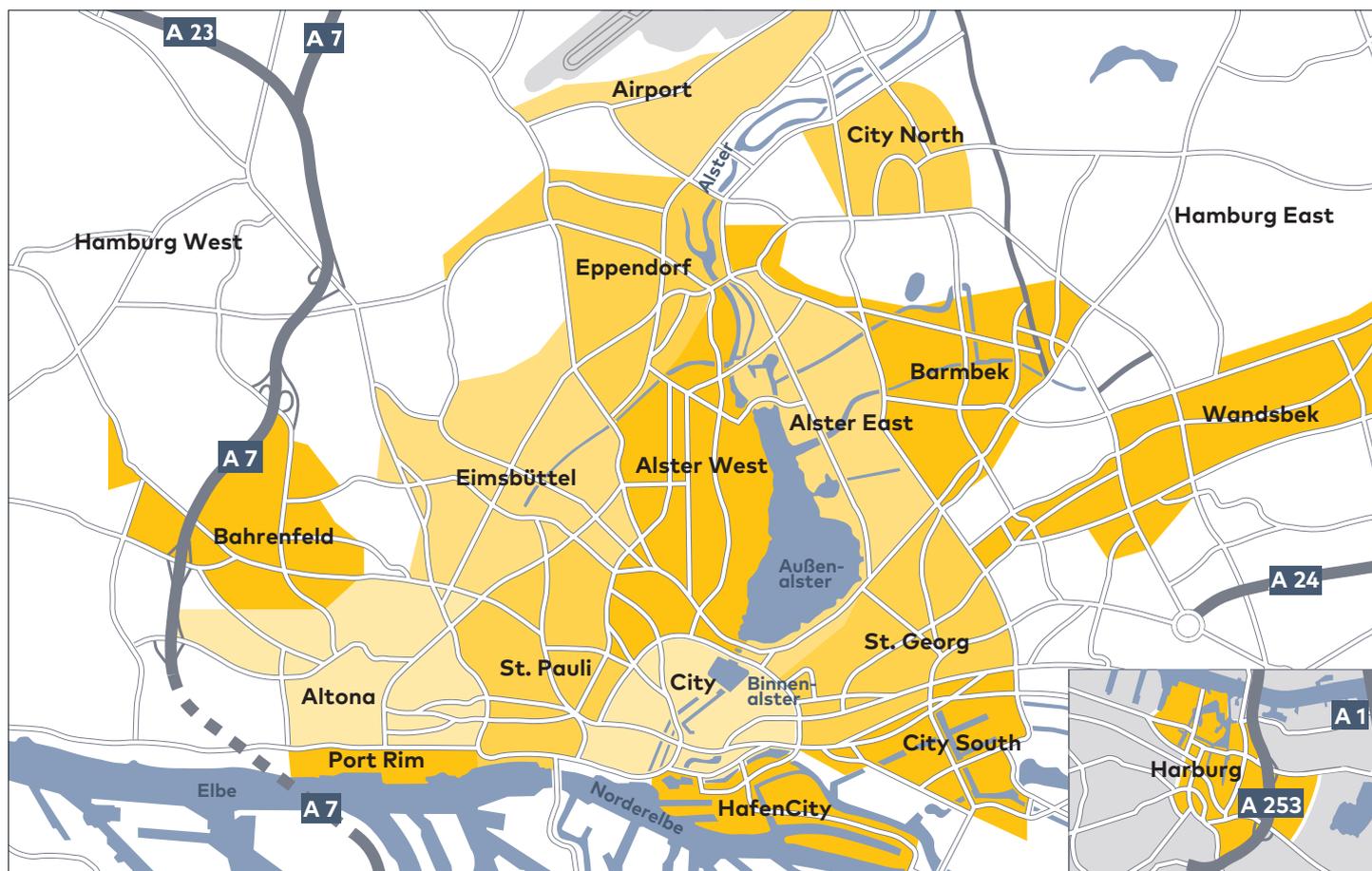
Potential tenants can relax a little

At 3.8 % the vacancy rate at the end of the quarter was unchanged from the prior quarter. There was a slight increase, to some 535,000 m², in the amount of space available at short notice*. Accordingly, compared with the situation a year ago, the range of offices available to corporate tenants rose by 80,000 m². People looking for office space can relax a little. Generally speaking, potential tenants have appreciably more choice. Many developers are currently keen to offer tenants with good credit ratings attractive terms and longer lease agreements. As part of this process, landlords have noticeably increased the quality of customer care services.

The pandemic has also impacted construction work. As in the past, work is subject to delays and some scheduled completion dates had to be postponed. As things stand at the end of the 2nd quarter, a total of some 32 office construction projects are slated for completion in 2021 and 2022. The total volume is likely to be 331,000 m². In view of the pre-letting ratio of 74%, only about 85,000 m² of speculative space will come onto the market. Meanwhile the projected volume of completions in 2023 has risen to 360,000 m² (28 developments). A very significant amount - 235,000 m² - is speculative and will be available on the open market.

* The definition of vacant at short notice has been altered. Vacancies now include all office space that is available to new tenants within six months. Because trade firms have full order books, it is generally no longer possible to have the premises fitted out within three months.

Overview of office sub-markets Hamburg
2021/Q1-2



Sub-market	Take-up of space in m ² incl. owner-occupiers	Vacant space in m ²	Vacancy rate in %	Rents paid longer-term in €/m ² /mth (net)	Average rent in €/m ² /mth (net)	Completions 2020/2021 in m ²
1 City	62,800	120,700	4.1	12.00 – 35.00	21.90	85,000
2 HafenCity	22,700	39,600	7.1	16.20 – 27.00	25.60	5,000
3 Port Rim	5,000	24,200	11.3	13.50 – 23.00	19.40	0
4 Alster West	1,600	5,500	1.0	18.70 – 20.50	20.40	0
5 Alster East	3,400	4,300	1.3	11.50 – 20.00	16.20	0
6 St. Georg	500	19,600	4.4	13.50 – 16.00	14.70	5,000
7 City South	26,100	80,500	4.8	8.00 – 17.50	15.20	7,000
8 St. Pauli	3,600	5,700	1.3	8.00 – 23.00	19.50	3,000
9 Altona	14,000	16,100	2.2	10.00 – 20.00	16.70	3,000
10 Bahrenfeld	11,500	63,800	13.4	10.00 – 16.90	14.70	22,000
11 Eimsbüttel	9,200	8,000	3.7	8.00 – 17.50	11.40	45,000
12 Eppendorf	4,500	12,900	4.1	12.30 – 18.50	14.90	4,000
13 Airport	6,500	27,900	3.3	8.50 – 15.00	11.80	0
14 City North	22,700	7,500	1.3	11.50 – 16.00	15.30	23,000
15 Barmbek	3,200	15,300	2.5	10.50 – 16.50	11.30	0
16 Wandsbek	2,300	39,100	6.4	8.50 – 16.00	10.20	21,000
17 Harburg	8,100	13,800	1.5	7.50 – 14.80	11.60	6,000
18 Hamburg East	12,800	21,100	2.2	5.00 – 18.70	13.70	101,000
19 Hamburg West	4,500	9,500	2.2	9.30 – 19.00	12.30	0
Total	225,000	535,100	3.8	5.00 – 35.00	17.90	330,000

Outlook

German business leaders optimistic about second half year

Adjusted for seasonal effects, the Federal Labour Agency reports a marked decline in unemployment and under-employment in June. The coronavirus crisis is not driving numbers up as fast as before, but its impact is still considerable. Massive recourse to furlough payments has stabilized the labour market, but there is a clear decline in the number of employers using the instrument. Nationwide, Germany's unemployment rate was 5.7%. In Hamburg 82,248 people were registered as unemployed in June. The jobless rate was 7.6%, down 0.2 percentage points from the prior month. The ifo Institute detects an upturn in Germany's labour market. In June the ifo employment barometer surged from 100.2 points in May to its current value of 103.7 points. As the Institute sees it, the major reasons for the upswing are the lockdown rollbacks and an industrial boom. They report that the service sector is using recruitment agencies to find staff and that retail businesses are also cautiously starting to add to their payrolls. Overall, the mood of Germany's business managers has improved and company bosses are taking a more optimistic view of the second half year. Accordingly, the ifo index of business confidence climbed from 99.2 points in May to 101.8 points in June. Among service providers, the logistics sector and IT specialists were those most likely to rate their situation as good and expect turnover to rise. Experts from the Hamburg World Economy Institute (HWWI) expect the economy to return to its pre-pandemic strength

in 2022. Progress in the vaccination programme and the relaxation of rules indicate that the recovery process that was interrupted in the autumn will resume. The Institute has thus adjusted its economic forecast accordingly and now predicts growth of 3% for 2021 and 2022.

Take-up of space

The office market is in flux, even though current activity has not yet been reflected in the take-up of space. During the 2nd half year the market is expected to pick up further momentum. It seems apparent that take-up for the year will be well above the result for 2020 and is likely to be around the 450,000 m² mark.

Rents

Both premium and average rents are expected to remain stable at their current high levels. Prices could be affected by the growth of "reasonable" sub-let agreements on the one hand and, on the other hand, the marketing of "priced" space potential in high-class developments going up in attractive locations.

Available space

Over the course of the year those looking for offices will find the situation easing as more space comes onto the market. By mid 2022 the vacancy rate could reach about 4.8%.



"THE YARD" Westfield Hamburg/Überseequartier | ca. 7,800 m² | available from 2023/Q3

Grossmann & Berger's Promise.

040-350 80 20
grossmann-berger.de

Grossmann & Berger



Skilled consultancy Services und contacts



From left to right: Tatjana Merger | Anna Martens

What can we do for you?

An analysis of the property markets is an important part of the wide-ranging consultancy services offered by Grossmann & Berger. We would be pleased to be of assistance in your decision-making process and can draft an offer that is tailored to your specific requirements.

Anna Martens | Diplom-Ingenieur Master of Urban Planning

Phone: +49 (0)40 / 350 80 2 - 615

Mail: a.martens@grossmann-berger.de

Tatjana Merger | Master of Science Urban Planning

Phone: +49 (0)40 / 350 80 2 - 641

Mail: t.merger@grossmann-berger.de

Glossary

Definitions, office market

Take-up of space: Take-up of space is the total of all space newly let plus that sold to or built by an owner-occupier during the period under review. The operative date for inclusion in the statistics is the date on which the lease or purchase agreement was signed. Lease renewals are not counted as take-up. Areas are stated on the basis of the guide for calculating the rental area in commercial leases (MF/G).

Prime rent: The prime rent is that paid for the most expensive 3% of the market for new lets (not counting owner-occupiers) during the 12 months just ended and is stated as the median of such rents.

Average rent: The average rent paid is calculated by taking the individual rents agreed in all leases signed over the past 12 months, weighting them by the amount of space rented and computing the mean value. Figures refer to nominal net rents ex services.

Vacancies: Vacancies include all office space that is available to new tenants within six months. Sub-let space is counted as vacancy.

Photo credits:

Cover: Impressions Bleichenfleet © Grossmann & Berger GmbH, Page 2: "Frachtraum", Neuer Wall 34 © Chantal Weber, Page 3: "Hammerbrooklyn" © Grossmann & Berger GmbH, Page 6: Luv & Lee © Unibail Rodamco Westfields.

We draw your attention to the fact that all statements made here are non-binding. Most of the information is based on third-party reports. The sole intention of this market survey is to provide general information for our clients.

Grossmann & Berger GmbH | Bleichenbrücke 9 (Bleichenhof) | D-20354 Hamburg
Phone: +49 (0)40/350 80 2-0 | Fax: +49 (0)40/350 80 2-36
info@grossmann-berger.de | www.grossmann-berger.de

Managing directors: Sandra Ludwig, Andreas Rehberg, Holger Michaelis, Lars Seidel
Chairman of the supervisory board: Frank Brockmann
Registered office Hamburg • Registered at Hamburg no. B 25866